

Adams, Barney

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

IN RE: ADAMS GOLF, INC. : CONSOLIDATED
SECURITIES LITIGATION : C.A. NO. 99-371 KAJ

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ORAL AND VIDEOTAPED DEPOSITION
OF BARNEY ADAMS

Thursday, June 22, 2006

The oral deposition of BARNEY ADAMS was held at the law offices of Akin Gump Strauss Hauer & Feld, LLP, 1700 Pacific Avenue, Suite 4100, Dallas, Texas, from 9:32 a.m. to 4:53 p.m., before Jamie K. Israelow, a Certified Shorthand Reporter in and for the State of Texas, Registered Professional Reporter, Certified Realtime Reporter and Certified LiveNote Reporter.

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09:45:36	1 time, seeing it happen to other people. It was	09:48:14	1 correct?
09:45:39	2 just -- just one of those -- it's like "they."	09:48:20	2 A The only incident that I was aware
09:45:42	3 It's one of those known things.	09:48:24	3 of, or purported incident, was a very small
09:45:44	4 Q Do you -- do you have a belief as to	09:48:28	4 quantity in Canada.
09:45:46	5 why it happens, where there's a hot product in the	09:48:53	5 Q Okay. When you say "a very small
09:45:49	6 golf industry?	09:48:55	6 quantity," how many clubs?
09:45:51	7 A Why? Can you define that for me, so	09:48:56	7 A I have no idea.
09:45:56	8 I don't jump to a conclusion.	09:48:59	8 Q More than 100?
09:45:57	9 Q My pleasure.	09:49:01	9 A Again, it was -- it was my
09:46:00	10 I believe you said, Mr. Adams,	09:49:06	10 recollection it was just a very minor thing, so I
09:46:02	11 that your understanding in the golf industry is	09:49:08	11 don't know what the definition of "minor" is.
09:46:04	12 that where there is a hot product, gray marketing	09:49:13	12 Q Okay. Pre-IPO, before -- before the
09:46:09	13 occurs. My question is: Why?	09:49:18	13 IPO, is it correct that you were not aware of any
09:46:13	14 A I would -- this is just my	09:49:23	14 other transshipping or gray marketing going on
09:46:16	15 assumption, because I'm now in the minds of the --	09:49:26	15 apart from this very small quantity in Canada?
09:46:21	16 that channel of distribution, but if it's a hot	09:49:32	16 MR. BESSETTE: Can I get that
09:46:23	17 product and they have it in their store, you know,	09:49:32	17 question back, please.
09:46:28	18 that's -- that's good retailing, I guess, from	09:49:32	(The reporter read back the
09:46:30	19 their perspective. I could say that's -- I'm	09:49:46	requested text.)
09:46:34	20 thinking for them now.	09:49:46	MR. BESSETTE: Thank you.
09:46:43	21 Q In your last answer when you referred	09:49:47	21 A Okay. Answer?
09:46:46	22 to "them," were you referring to a nonauthorized	09:49:49	22 Q (By Mr. Collins) Please.
09:46:53	23 dealer who receives product through gray market	09:49:53	23 A That sounds very specific to me. If
09:46:59	24 channels?	09:49:59	24 I was aware of any product in the gray market
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09:46:59	1 A Nonauthorized -- yeah. I mean, I	09:50:02	1 pre-IPO, it was extremely minor, and so to say
09:47:04	2 think I'm responding or I'm -- I believe I'm	09:50:09	2 that I wasn't aware of anything at all -- I mean,
09:47:06	3 responding to what you asked me, which was: Why	09:50:12	3 we had a million things going on at that time. I
09:47:09	4 would somebody who was a nonauthorized dealer want	09:50:15	4 might have heard about, you know, a few pieces at
09:47:13	5 to have Adams product?	09:50:18	5 some location. I honestly don't remember, but it
09:47:18	6 Q Okay. Why would somebody who's an	09:50:21	6 certainly wasn't anything of any significance, any
09:47:22	7 authorized dealer or distributor want to	09:50:28	7 substance.
09:47:26	8 transship?	09:50:28	8 Q Uh-huh. Okay. Let's -- let's talk
09:47:26	9 MR. BESSETTE: I'm just going	09:50:44	9 for a moment why it wasn't anything of any
09:47:27	10 to object again. It's asking him to be in the	09:50:46	10 significance or any substance. I want to
09:47:29	11 mind of one of those folks, so it's speculation.	09:50:50	11 understand, Mr. Adams, the reasons why you believe
09:47:32	12 MR. COLLINS: Sure.	09:50:54	12 pre-IPO gray marketing wasn't of any significance
09:47:34	13 Q (By Mr. Collins) And you know, I	09:50:57	13 or any substance.
09:47:35	14 think Paul is right, so let me rephrase the	09:50:59	14 First, do I -- is it correct
09:47:37	15 question.	09:51:01	15 that it wasn't of any significance or any
09:47:37	16 Based on your experience in	09:51:04	16 substance because the number of clubs involved was
09:47:39	17 the industry, what were the circumstances, if you	09:51:13	17 small?
09:47:42	18 know, under which authorized distributors or	09:51:14	18 A I think the answer is it was, you
09:47:47	19 retailers of hot products transshipped? Under	09:51:15	19 know -- it was basically a nonissue. Well, that's
09:47:54	20 what circumstances did that transshipping occur?	09:51:20	20 not fair. It certainly was a very small number of
09:47:56	21 A I have no idea. I mean, I'd only be	09:51:25	21 clubs, if it was even going on.
09:48:00	22 guessing.	09:51:38	22 Q Okay. What do you mean by "a very
09:48:03	23 Q Okay. Now, transshipment or gray	09:51:40	23 small number of clubs"?
09:48:08	24 marketing did occur at -- at Adams Golf pre-IPO,	09:51:43	24 A You mean in volume?

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13:43:32	1	A	Would you repeat that, please.	13:46:39	1	them?	
13:43:35	2	Q	Did you ever investigate or ask	13:46:40	2	A	Well, it's addressed to them. I'm
13:43:38	3		somebody else to investigate whether some or all	13:46:48	3		being flip. It was addressed to them.
13:43:41	4		of the 33.8 million in sales for the quarter were	13:46:50	4	Q	In the first paragraph, what did you
13:43:46	5		sales that were purchased to tranship to or for	13:46:51	5		mean: Have we been presenting a false image?
13:43:52	6		the account of gray marketers?	13:46:58	6	A	My image of the sales department was
13:44:00	7	A	I don't remember -- pardon me again.	13:47:01	7		as a very efficient, high morale, on top of
13:44:03	8		I don't remember any	13:47:05	8		situations, you know, an area to be admired. And
13:44:08	9		investigation. It was a nonissue, as I've said	13:47:14	9		what I saw in my personal visit made me question
13:44:10	10		before. Does that mean that something could have	13:47:17	10		there.
13:44:15	11		happened with an employee that I don't know	13:47:17	11	Q	Were you referring to the image you
13:44:17	12		anything about? You know, who knows.	13:47:20	12		held in your mind of inside sales, or instead, the
13:44:19	13		But to me -- it's hard for me	13:47:25	13		image that the investing public had with regard to
13:44:23	14		to answer this question because you're asking me	13:47:28	14		Adams Golf's prospects?
13:44:25	15		about something that just wasn't going on --	13:47:29	15	A	No. This -- excuse me.
13:44:27	16	Q	Okay.	13:47:32	16		MR. BESSETTE: Go ahead.
13:44:27	17	A	-- or didn't happen.	13:47:33	17	A	It's a personal reaction.
13:44:46	18	Q	Exhibit 57, please. Have you seen	13:47:42	18	Q	(By Mr. Collins) In what way were
13:44:54	19		this document before?	13:47:42	19		you concerned that we had been presenting a false
13:45:01	20	A	Yes, I have.	13:47:45	20		image with regard to inside sales? What was
13:45:01	21	Q	You were the author of this document?	13:47:47	21		false?
13:45:04	22	A	Well, probably. It's not signed, and	13:47:48	22		MR. BESSETTE: Asked and
13:45:08	23		I think this is a classic case of my volatility,	13:47:48	23		answered.
13:45:14	24		and this would have been one that I hoped I looked	13:47:48	24		But go ahead.
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13:45:18	1		at in the next morning and never sent out, but I	13:47:52	1	A	Well, I have to rely on their ability
13:45:22	2		could easily have done it.	13:47:55	2		to give me good numbers, good forecasts, good
13:45:24	3	Q	But whether you sent it or not, you	13:47:58	3		market analyses and so on. And when I visit them
13:45:27	4		authored this document, correct?	13:48:04	4		and I see disarray, bickering, finger-pointing,
13:45:28	5	A	That's fair.	13:48:12	5		you know, childish stuff going on, then, you know,
13:45:29	6	Q	And you authored it on or about	13:48:16	6		where does it stop? It wasn't the image I had of
13:45:31	7		August 14th in your role as CEO?	13:48:22	7		the sales department.
13:45:34	8	A	That's fair.	13:48:25	8	Q	(By Mr. Collins) This visit that you
13:45:36	9	Q	Now, what -- what was going on here?	13:48:26	9		made, was it on or about August 14th?
13:45:37	10		Why -- whether you sent it or not, why did you	13:48:32	10	A	I would guess prior to, but I
13:45:39	11		write this document?	13:48:32	11		wouldn't -- I wouldn't know when.
13:45:48	12	A	I had a -- I had expectations for the	13:48:32	12	Q	How long was the visit?
13:45:54	13		sales group: Morale, efficiency, and in a	13:48:35	13	A	Again, I don't remember specifically.
13:46:04	14		personal visit, I did not encounter that.	13:48:38	14	Q	Where was sales located in relation
13:46:09	15		encountered an environment that I didn't care for.	13:48:40	15		to your office at the time?
13:46:14	16		And as I said, in my normal,	13:48:43	16	A	Down the hall and to the right.
13:46:20	17		occasionally volatile way of handling things, I	13:48:47	17	Q	Did you speak to persons in sales on
13:46:23	18		came up with this guilty-until-proven-innocent	13:48:49	18		the occasion of this visit?
13:46:28	19		approach.	13:48:52	19	A	Yes, I'm sure I spoke to one or more
13:46:28	20	Q	And you thought the guilty parties	13:48:57	20		members of the sales group.
13:46:32	21		were Mark Gonsalves and Ric Jarrett?	13:49:00	21	Q	In the third paragraph, there's a
13:46:35	22	A	Well, I started with them. Let's put	13:49:01	22		reference to George Clouse referred to as: My
13:46:37	23		it that way.	13:49:05	23		friend at Platinum.
13:46:38	24	Q	What do you mean you started with	13:49:06	24	A	Yes.

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13:49:06	1	Q Could you identify him further,	13:52:02 1 how it was presented in the road show.
13:49:08	2	please.	13:52:04 2 How was it presented in the
13:49:08	3	A George is CEO of -- it was Platinum	13:52:05 3 road show?
13:49:13	4	Software then. It's -- oh, I forget their name.	13:52:06 4 A As the -- as a very precised --
13:49:18	5	Now they've changed their name. But they were	13:52:14 5 excuse me, precised -- as a very precise, tight,
13:49:20	6	making a presentation to us about changing -- or	13:52:21 6 well-managed organization. They were one of our
13:49:24	7	about upgrading our internal software package.	13:52:25 7 stars. Bright star, I think I used.
13:49:37	8	Q And is -- Telesales' parameters	13:52:29 8 Q The next sentence reads: I realize
13:49:42	9	refers to the direct -- direct marketing as	13:52:31 9 there are decisions we can make (like diverters),
13:49:45	10	opposed to the inside sales function?	13:52:35 10 but we must rely on these people.
13:49:47	11	A No. Telesales is inside sales.	13:52:38 11 What did you mean
13:49:56	12	Q Now, the conclusion at Paragraph A:	13:52:40 12 by "diverters"?
13:50:00	13	The department staff has very low morale, is that	13:52:42 13 A I don't know specifically.
13:50:03	14	something you encountered yourself, or is that	13:52:44 14 Q Were you saying in this sentence --
13:50:06	15	what someone told you?	13:52:48 15 weren't you saying that you realized that Adams
13:50:11	16	A I would -- I would define this one as	13:52:50 16 Golf could increase sales by selling to outlets
13:50:14	17	my interpretation of what I saw.	13:52:57 17 that weren't authorized dealers by selling to
13:50:18	18	Q Did people complain to you?	13:53:03 18 discount warehouses, for example?
13:50:22	19	A I don't remember specifically.	13:53:06 19 A I think -- no, but I do think what I
13:50:37	20	Q And C: They know cheating (at least	13:53:09 20 was saying is that you want to be absolutely sure
13:50:42	21	in the form of double shipments) occurs, and a	13:53:20 21 there's not an environment where something like
13:50:46	22	concern that such action is quietly endorsed.	13:53:23 22 that could happen. That's what I was -- I mean,
13:50:48	23	How -- on what basis did you	13:53:27 23 it's not a specific thing. It's just a general
13:50:51	24	conclude that the inside sales staff knows that	13:53:30 24 lack of professionalism that I -- that I felt that
		Page 143	Page 145
13:50:54	1	cheating, at least in the form of double	13:53:33 1 I saw. And as I said, this was an over-the-top,
13:50:57	2	shipments, occurs?	13:53:38 2 guilty-until-proven-innocence response.
13:50:59	3	A Accusations. Somebody said: I think	13:53:38 3 Q I see.
13:51:05	4	somebody double-ships, something along those	13:53:41 4 So you were concerned at the
13:51:08	5	lines.	13:53:43 5 time you wrote this that sales had been made or
13:51:08	6	Q Who said that?	13:53:46 6 might be made to diverters or customers that
13:51:10	7	A Oh, I don't remember. I don't	13:53:53 7 weren't authorized retailers or distributors; is
13:51:10	8	remember who I spoke to.	13:53:56 8 that right?
13:51:12	9	Q And was -- do you remember who the	13:53:56 9 A No, not at all. I think you're
13:51:14	10	alleged double-shipper or shippers were?	13:53:58 10 putting words in my mouth.
13:51:16	11	A No, I do not.	13:53:59 11 What I said was: If you
13:51:17	12	Q Was the alleged double-shipper or one	13:54:01 12 have -- excuse me -- if you have an organization
13:51:20	13	of them Jay Greaney?	13:54:04 13 that's not tightly managed, lots of things can
13:51:22	14	A I don't remember specifically.	13:54:06 14 happen, and this is a -- this is an example. I
13:51:30	15	Q Now, on the next page in the second	13:54:09 15 mean, I use it because it's a very egregious
13:51:36	16	full paragraph under Our Short-Term Goals.	13:54:14 16 example, something we would never do. But I'm
13:51:40	17	A Our Short-Term Goals.	13:54:17 17 trying to make a point here: You guys get your
13:51:42	18	Q Our Short-Term Goals are to make the	13:54:19 18 act together.
13:51:44	19	Q3, Q4 numbers?	13:54:20 19 Q What are double shipments, when you
13:51:46	20	A Oh, yes. Sorry.	13:54:23 20 refer to -- as you refer to in this memo?
13:51:47	21	Q It goes on at the end of the	13:54:28 21 A They could be anything. That's a
13:51:49	22	paragraph to say -- or the paragraph continues to	13:54:30 22 long answer.
13:51:55	23	say: What is the plan to resurrect this	13:54:30 23 Q Tell me, please. I'm referring
13:52:01	24	department, return it to what I thought it was and	13:54:32 24 specifically --

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13:54:32	1	A Right.	13:56:42	1 talking about things in a well-run, well-managed
13:54:33	2	Q -- to how you referred to double	13:56:46	2 department that's on top of things. You know,
13:54:35	3	shipments in C on Page 1. What did you mean by	13:56:50	3 you -- you just don't hear about this kind of
13:54:41	4	that?	13:56:52	4 stuff. I'm not saying -- of course it happens. I
13:54:41	5	A I'm going to read C here.	13:56:55	5 mean, good heaven's, you have human beings.
13:54:47	6	It could be, for example, a	13:56:57	6 You know, you have double
13:54:50	7	customer who feels that he ordered 50 pieces and	13:57:00	7 shipments, triple shipments, no shipments. You
13:54:56	8	got 100 and that we intentionally shipped 100 to	13:57:03	8 know, the kind of volume that we were dealing in,
13:54:59	9	boost our sales for that period of time. I mean,	13:57:07	9 human beings make mistakes. I was interested in
13:55:02	10	that could be a case.	13:57:07	10 the way the -- the way the sales department was
13:55:02	11	Q And -- and you heard accusations	13:57:11	11 being managed.
13:55:04	12	along those lines when you visited inside sales,	13:57:11	12 Q So when you visited the sale -- the
13:55:08	13	correct?	13:57:14	13 inside sales department, people made accusations
13:55:08	14	A What I knew was that I -- I've been	13:57:16	14 about consignments, the recording of sales; is
13:55:13	15	through this double-shipping business, and I know	13:57:19	15 that right?
13:55:20	16	that it's -- it's a much broader and more complex	13:57:20	16 A I think I used the word
13:55:24	17	area than simply somebody deciding to ship an	13:57:24	17 "consignments." I don't know if they used the
13:55:29	18	extra 20 or 50 pieces.	13:57:24	18 word "consignments." As I said before, I took
13:55:32	19	A retailer calls up and says:	13:57:26	19 everything to -- I wanted -- I wanted Mark and Ric
13:55:35	20	I'm going to send this stuff back. You	13:57:29	20 go come back to me and -- and absolutely embarrass
13:55:38	21	double-shipped me. And we never double-shipped	13:57:35	21 me by putting this thing to bed and showing me how
13:55:40	22	him at all, but maybe he was a little short on	13:57:39	22 squared away they were.
13:55:40	23	money, couldn't pay his bill or whatever, you	13:57:40	23 Q But as I was asking a moment ago,
13:55:43	24	know, a million reasons.	13:57:43	24 whether people in inside sales used the word
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13:55:45	1	But if you've got low morale	13:57:46	1 "consignment" or not, one or more persons during
13:55:47	2	and a poorly run department, all of a sudden the	13:57:50	2 your visit told you that there had been amounts
13:55:50	3	fact doesn't come out, it just comes out as	13:57:55	3 falsely reported as sales that were, in fact, not
13:55:52	4	double-shipping, and that just adds to bad morale.	13:57:59	4 properly recordable as sales; is that right?
13:55:55	5	And that's the kind of stuff I was trying to	13:58:01	5 MR. BESETTE: That misstates
13:55:58	6	uproot, so to speak.	13:58:02	6 what he said.
13:55:59	7	Q On the second page, the memo goes on	13:58:03	7 Q (By Mr. Collins) You may answer.
13:56:01	8	to read: Apparently we've made a lot of sales	13:58:05	8 A Again, the word "consignment" is my
13:56:05	9	that have been falsely reported as sales and are	13:58:07	9 word, my interpretation. I don't know if anybody
13:56:08	10	little more than consignments.	13:58:12	10 in the department ever brought up the word
13:56:08	11	A Uh-huh.	13:58:14	11 "consignment."
13:56:09	12	Q What's the basis for that?	13:58:15	12 What I'm saying is that it's
13:56:11	13	A It's the same thing. And again, I	13:58:19	13 the same -- I see the same pattern in several
13:56:13	14	want to emphasize that this is -- I'm not real	13:58:21	14 different areas. This -- this -- this
13:56:15	15	proud of this memo, frankly. It's a little over	13:58:24	15 complaining, this finger-pointing, this lack of
13:56:18	16	the top, even for me, but -- it's a	13:58:26	16 professionalism, and this was supposed to be our
13:56:23	17	guilty-until-proven-innocent approach. You get on	13:58:29	17 bright star, our great group of people.
13:56:24	18	the phone with the customer and say: Hey, look,	13:58:33	18 And I have to -- in my role, I
13:56:28	19	you know, we -- we are -- are -- our terms are	13:58:34	19 have to depend on their information. So I was
13:56:29	20	normally 30 days, we'll give you 60. Now, for me	13:58:38	20 upset just to hear this -- this bickering. I use
13:56:33	21	to call that a consignment, of course, is a big	13:58:43	21 that word, but it wasn't professional. It wasn't
13:56:36	22	stretch.	13:58:47	22 what it should have been.
13:56:37	23	But that's not the point. The	13:58:48	23 Q And respectfully, you didn't answer
13:56:39	24	point is -- because, you know, you're not -- I'm	13:58:50	24 my question.

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15:39:30	1	going to be marked?	15:42:27	1
15:39:33	2	A I have no idea.	15:42:31	2
15:39:34	3	Q And when did the marking begin?	15:42:33	3
15:39:39	4	A I'm sorry. Same answer. I don't	15:42:39	4
15:39:40	5	have any idea.	15:42:41	5
15:39:41	6	Q Okay. And in this case, with regard	15:42:44	6
15:39:42	7	to those retail accounts, the purpose of the	15:42:47	7
15:39:49	8	marking was specifically to cut down on	15:42:50	8
15:39:52	9	transshipment, I gather, correct?	15:42:53	9
15:39:54	10	A It looks like for those particular	15:42:59	10
15:39:57	11	accounts that's what the objective was, yes.	15:43:03	11
15:40:11	12	Q Exhibit 245, please.	15:43:03	12
15:40:21	13	You remember this press	15:43:03	13
15:40:29	14	release?	15:43:11	14
15:40:29	15	A Again, generally, but not	15:43:15	15
15:40:33	16	specifically.	15:43:20	16
15:40:34	17	Q You approved its issuance?	15:43:24	17
15:40:37	18	A I would have.	15:43:28	18
15:40:59	19	Q In this press release, in the fourth	15:43:30	19
15:41:09	20	paragraph, with reference to the outlook for the	15:43:31	20
15:41:12	21	fourth quarter, you were quoted as saying, and I'm	15:43:32	21
15:41:15	22	just reading part of this: In addition, we	15:43:33	22
15:41:17	23	anticipate our sales will be further impacted by	15:43:35	23
15:41:19	24	the recent gray market distribution of our	15:43:42	24
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15:41:22	1	products to a membership warehouse club.	15:43:43	1
15:41:24	2	Do you see that?	15:43:46	2
15:41:25	3	A Yes, I do.	15:43:51	3
15:41:26	4	Q It was an accurate statement as of	15:43:53	4
15:41:28	5	October 22nd?	15:43:57	5
15:41:29	6	A I believe it was.	15:43:57	6
15:41:31	7	Q And the membership warehouse club, I	15:43:59	7
15:41:33	8	presume, was – was Costco?	15:44:01	8
15:41:35	9	A I think that's a fair assumption.	15:44:04	9
15:41:37	10	Q And what did you mean by "further"?	15:44:05	10
15:41:43	11	A I'm reading this. I'm sorry.	15:44:06	11
15:41:45	12	Q Please.	15:44:07	12
15:41:51	13	A That as the -- again, as the -- with	15:44:11	13
15:41:54	14	the tightening of the market, as I said, I think	15:44:13	14
15:41:57	15	the -- I was reading the sentence below it: The	15:44:13	15
15:42:01	16	continuing weakness in the golf equipment market.	15:44:16	16
15:42:03	17	Just as I said before, any problem was going to	15:44:17	17
15:42:07	18	become exacerbated because the market is getting	15:44:19	18
15:42:17	19	worse.	15:44:23	19
15:42:17	20	Q Okay. Weren't you saying that prior	15:44:27	20
15:42:18	21	to the fourth quarter sales had been impacted by	15:44:31	21
15:42:24	22	gray market distribution?	15:44:33	22
15:42:26	23	MR. BESSETTE: Misstates	15:44:37	23
15:42:27	24	testimony.	15:44:39	24

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15:44:41 1 the Costco decision would be based on the	15:47:20 1 for authorized retailers at Adams.
15:44:43 2 popularity of the product. That would be my	15:47:20 2 A The statement -- unfortunately, I do
15:44:56 3 opinion.	15:47:23 3 remember this one because this was a bit of an
15:45:04 4 Q Exhibit 17, please.	15:47:26 4 early argument between Chip and myself. He didn't
15:45:14 5 Have you seen this document	15:47:28 5 think that statement even belonged in there. He
15:45:15 6 before?	15:47:30 6 thought we had reacted very, very quickly.
15:45:15 7 A Yes, I have.	15:47:32 7 So I was just taking the
15:45:16 8 Q And that is your signature?	15:47:36 8 position kind of like before: Look, if -- if any
15:45:19 9 A Yes, it is.	15:47:41 9 retailer thinks we reacted slowly, let's admit it
15:45:20 10 Q And you had approved and sent out	15:47:45 10 and go on forward.
15:45:21 11 this letter on or about January 4th, '99 to	15:47:46 11 Q Okay. But now I wasn't asking in
15:45:25 12 retailers?	15:47:48 12 that question --
15:45:25 13 A Yes, I did.	15:47:49 13 A I'm sorry.
15:45:31 14 Q In the middle of the page you say:	15:47:49 14 Q -- about the speed of reaction.
15:45:34 15 We can't help but be a little dissatisfied. Why?	15:47:50 15 A Oh, I'm sorry.
15:45:39 16 And then: One, we failed to defend our market	15:47:52 16 Q I was just asking you to agree with
15:45:41 17 position strongly enough. We didn't respond to	15:47:54 17 what you wrote here, which is that Costco in 1998
15:45:45 18 misleading advertising from both legitimate	15:47:57 18 hurt retail margins for Adams authorized
15:45:50 19 competitors and knockoffs.	15:47:57 19 retailers.
15:45:50 20 What did you mean by that,	15:48:02 20 You aren't denying that now,
15:45:59 21 please?	15:48:04 21 are you?
15:46:00 22 A The Orlimar ads were rigged to make	15:48:04 22 A We were slow to react when
15:46:05 23 their product look superior. I guess I didn't	15:48:06 23 unauthorized resellers, such as Costco, hurt
15:46:14 24 think we made enough of an issue out of that.	15:48:08 24 retail margins.
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15:46:18 1 Q By "legitimate competitors," were you	15:48:09 1 As I said before, it could
15:46:22 2 referring to Orlimar?	15:48:11 2 be -- it could easily be true. It could easily be
15:46:24 3 A Yes.	15:48:13 3 true in, say, one marketplace, maybe two
15:46:24 4 Q And who were you referring to by	15:48:16 4 marketplaces. I remember the argument that -- not
15:46:28 5 "knockoffs"?	15:48:18 5 the -- the discussion that I had with Chip was
15:46:28 6 A I think there were 40 of them at one	15:48:20 6 that there was no evidence that this happened
15:46:30 7 time. Take your pick.	15:48:22 7 across the board or was even significant. All I
15:46:31 8 Q They were engaged in misleading	15:48:27 8 was trying to do, as I said before, was, you know,
15:46:36 9 advertising, the knockoffs?	15:48:32 9 listen, if you think it's our problem, we'll admit
15:46:36 10 A Well, we had a guy that ran an ad in	15:48:35 10 it and let's go forward.
15:46:39 11 "USA Today," called his club the TL240 and didn't	15:48:36 11 Q You said in your last answer "one
15:46:46 12 even use his own picture. He actually used a	15:48:39 12 marketplace, maybe two marketplaces," but this
15:46:48 13 picture of our club.	15:48:41 13 letter, I gather, was sent to all Adams Golf
15:46:50 14 Q Now, Point 2: We were slow to react	15:48:45 14 retailers in the U.S.?
15:46:53 15 when unauthorized resellers, such as Costco, hurt	15:48:47 15 A I believe it was, yes.
15:46:56 16 retail margins.	15:48:48 16 Q Why didn't you send it just to the
15:46:58 17 Do you see that?	15:48:50 17 one or two marketplaces where you claim -- where
15:46:59 18 A Yes, I do.	15:48:52 18 the only locations where retail margins were hurt
15:47:00 19 Q So it was accurate that in 1998	15:48:55 19 by Costco?
15:47:05 20 Costco hurt retail margins for authorized	15:48:56 20 A Oh, I don't know. I don't -- I don't
15:47:14 21 retailers at Adams?	15:48:57 21 see any sense in doing it that way to tell you the
15:47:14 22 THE REPORTER: I'm sorry.	15:49:00 22 truth. You're making a -- you're making a
15:47:14 23 Could you repeat that? Costco hurt retailers --	15:49:03 23 statement that says: Hey, we're on your side.
15:47:14 24 Q (By Mr. Collins) Hurt retail margins	15:49:07 24 We're trying to help you. If you're going to make